

104TH CONGRESS  
1ST SESSION

# S. 1415

Entitled the “Thrift Charter Conversion Act of 1995”.

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## IN THE SENATE OF THE UNITED STATES

NOVEMBER 15, 1995

Mr. D’AMATO introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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## A BILL

Entitled the “Thrift Charter Conversion Act of 1995”.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

### 3       **SECTION 1. SHORT TITLE, TABLE OF CONTENTS.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5       “Thrift Charter Conversion Act of 1995”.

6       (b) TABLE OF CONTENTS.—The table of contents of  
7       this Act is as follows:

Sec. 1. Short title, table of contents.

#### TITLE I—STATUS OF BANKS AND SAVINGS ASSOCIATIONS

Sec. 101. Termination of Federal savings associations; treatment of State savings associations as banks for purposes of Federal banking law.

Sec. 102. Treatment of certain activities and affiliations of bank holding companies resulting from this Act.

Sec. 103. Transition provisions for activities of savings associations which convert into or become treated as banks.

- Sec. 104. Registration of bank holding companies resulting from conversions of savings associations to banks or treatment of savings associations as banks.
- Sec. 105. Additional transition provisions and special rules.
- Sec. 106. Technical and conforming amendments.
- Sec. 107. References to savings associations and State banks in Federal law.
- Sec. 108. Repeal of Home Owners' Loan Act.
- Sec. 109. Effective date; definitions.

## TITLE II—TRANSFER OF FUNCTIONS, PERSONNEL, AND PROPERTY

- Sec. 201. Office of Thrift Supervision abolished.
- Sec. 202. Determination of transferred functions and employees.
- Sec. 203. Savings provisions.
- Sec. 204. Cost of funds indexes.
- Sec. 205. References in Federal law to Director of the Office of Thrift Supervision.
- Sec. 206. Reconfiguration of board of directors of FDIC as a result of removal of Director of the Office of Thrift Supervision.

## TITLE III—PRIVATE DEPOSIT INSURANCE

- Sec. 301. Deposit insurance study.

# 1 **TITLE I—STATUS OF BANKS AND** 2 **SAVINGS ASSOCIATIONS**

## 3 **SEC. 101. TERMINATION OF FEDERAL SAVINGS ASSOCIA-** 4 **TIONS; TREATMENT OF STATE SAVINGS ASSO-** 5 **CIATIONS AS BANKS FOR PURPOSES OF FED-** 6 **ERAL BANKING LAW.**

### 7 (a) TERMINATION OF FEDERAL SAVINGS ASSOCIA- 8 TION CHARTERS.—

9 (1) IN GENERAL.—Each Federal savings asso-  
10 ciation shall—

11 (A) convert to a national bank charter;

12 (B) convert to a State depository institu-  
13 tion charter; or

1 (C) surrender the charter of such savings  
2 association and liquidate the institution.

3 (2) CONVERSION TO NATIONAL BANK BY OPER-  
4 ATION OF LAW.—If any Federal savings association  
5 has not taken any action required under paragraph  
6 (1) as of January 1, 1998, the savings association  
7 shall—

8 (A) become a national bank on such date  
9 by operation of law;

10 (B) immediately file articles of association  
11 and an organizational certificate with the  
12 Comptroller of the Currency in accordance with  
13 sections 5133, 5134, and 5135 of the Revised  
14 Statutes of the United States; and

15 (C) cease to exist as a Federal savings as-  
16 sociation as of such date.

17 (3) PROHIBITION ON NEW CHARTERS OF FED-  
18 ERAL SAVINGS ASSOCIATIONS.—The Director of the  
19 Office of Thrift Supervision may not grant any char-  
20 ter for a Federal savings association for which an  
21 application was received after the date of the enact-  
22 ment of this Act.

23 (b) TREATMENT OF STATE SAVINGS ASSOCIATIONS  
24 AS BANKS FOR PURPOSES OF FEDERAL BANKING LAW.—

1 (1) AMENDMENTS TO FEDERAL DEPOSIT IN-  
2 SURANCE ACT.—Section 3 of the Federal Deposit  
3 Insurance Act (12 U.S.C. 1813) is amended—

4 (A) by striking paragraph (2) of subsection  
5 (a) and inserting the following new paragraph:  
6 “(2) STATE BANK.—

7 “(A) IN GENERAL.—The term ‘State bank’  
8 means any bank, banking association, trust  
9 company, savings bank, industrial bank (or  
10 similar depository institution which the Board  
11 of Directors finds to be operating substantially  
12 in the same manner as an industrial bank),  
13 building and loan association, savings and loan  
14 association, homestead association, cooperative  
15 bank, or other banking institution—

16 “(i) which is engaged in the business  
17 of receiving deposits, other than trust  
18 funds (as defined in this section); and

19 “(ii) which—

20 “(I) is incorporated under the  
21 laws of any State;

22 “(II) is organized and operating  
23 according to the laws of the State in  
24 which such institution is chartered or  
25 organized; or

1 “(III) is operating under the  
2 Code of Law for the District of Co-  
3 lumbia (except a national bank).

4 “(B) CERTAIN INSURED BANKS IN-  
5 CLUDED.—The term ‘State bank’ includes any  
6 cooperative bank or other unincorporated bank  
7 the deposits of which were insured by the Cor-  
8 poration on the day before the date of the en-  
9 actment of the Financial Institutions Reform,  
10 Recovery, and Enforcement Act of 1989.

11 “(C) CERTAIN UNINSURED BANKS EX-  
12 CLUDED.—The term ‘State bank’ does not in-  
13 clude any cooperative bank or other unincor-  
14 porated bank the deposits of which were not in-  
15 sured by the Corporation on the day before the  
16 date of the enactment of the Financial Institu-  
17 tions Reform, Recovery, and Enforcement Act  
18 of 1989.”; and

19 (B) in subsection (q)—

20 (i) by inserting “and” after the semi-  
21 colon at the end of paragraph (2);

22 (ii) by striking “; and” at the end of  
23 paragraph (3) and inserting a period; and

24 (iii) by striking paragraph (4).

1           (2) AMENDMENTS TO THE BANK HOLDING  
2       COMPANY ACT OF 1956.—Section 2 of the Bank  
3       Holding Company Act of 1956 (12 U.S.C. 1841) is  
4       amended—

5           (A) by striking subparagraph (E) of sub-  
6       section (a)(5); and

7           (B) by striking subparagraphs (B) and (J)  
8       of subsection (c)(2).

9           (3) AMENDMENTS TO THE FEDERAL RESERVE  
10      ACT.—The 2d and 3d paragraphs of the 1st section  
11      of the Federal Reserve Act (12 U.S.C. 221) are each  
12      amended by inserting “(as defined in section 3(a)(2)  
13      of the Federal Deposit Insurance Act)” after “State  
14      bank”.

15      (c) COMPARABILITY OF REGULATION FOR STATE-  
16      CHARTERED DEPOSITORY INSTITUTIONS.—

17           (1) REVIEW OF STATE SUPERVISION.—The  
18      Corporation shall maintain procedures for reviewing,  
19      under standards the Board of Directors shall pre-  
20      scribe in regulations, the manner in which State de-  
21      pository institutions are regulated by a State for the  
22      purpose of ensuring that State savings associations  
23      are no less rigorously regulated by a State than  
24      State banks.

1           (2) INADEQUATE STATE REGULATION.—If, in  
2           connection with a review of State regulation of State  
3           depository institutions pursuant to paragraph (1),  
4           the Corporation determines that a State regulates  
5           savings associations chartered by such State less rig-  
6           orously than the State regulates banks chartered by  
7           such State, the Corporation may take such action  
8           under section 8(a) of the Federal Deposit Insurance  
9           Act as the Corporation determines to be appropriate  
10          with respect to savings associations chartered by  
11          such State which shall be effective no later than the  
12          end of the 1-year period beginning on the date of  
13          such determination.

14          (3) DEFINITIONS.—The following definitions  
15          shall apply for purposes of this subsection:

16                (A) STATE BANK.—The term “State  
17                bank” has the same meaning as in section  
18                3(a)(2) of the Federal Deposit Insurance Act  
19                (as in effect on the date of the enactment of the  
20                Thrift Charter Conversion Act of 1995).

21                (B) STATE SAVINGS ASSOCIATION.—The  
22                term “State savings association” has the same  
23                meaning as in section 3(b)(2) of the Federal  
24                Deposit Insurance Act (as in effect on the date

1 of the enactment of the Thrift Charter Conver-  
 2 sion Act of 1995).

3 (C) STATE DEPOSITORY INSTITUTION.—  
 4 The term “State depository institution” has the  
 5 same meaning as in section 3(c)(5) of the Fed-  
 6 eral Deposit Insurance Act.

7 **SEC. 102. TREATMENT OF CERTAIN ACTIVITIES AND AFFILI-**  
 8 **ATIONS OF BANK HOLDING COMPANIES RE-**  
 9 **SULTING FROM THIS ACT.**

10 Section 4 of the Bank Holding Company Act of 1956  
 11 (12 U.S.C. 1843) is amended by adding at the end the  
 12 following new subsection:

13 “(k) TREATMENT OF COMPANIES RESULTING FROM  
 14 SAVINGS AND LOAN HOLDING COMPANIES.—

15 “(1) IN GENERAL.—Notwithstanding any other  
 16 provision of this section (other than paragraph (5))  
 17 or any other provision of Federal law including sec-  
 18 tions 20 and 32 of the Banking Act of 1933, a  
 19 qualified bank holding company may, after such  
 20 company becomes a bank holding company—

21 “(A) maintain or enter into any non-  
 22 banking affiliation which such company was au-  
 23 thorized to maintain or enter into as of Septem-  
 24 ber 22, 1995, or was authorized to maintain  
 25 following a merger of insured depository institu-



1           tion subsidiaries pursuant to an application  
2           filed no later than such date; and

3           “(B) engage, directly or through any affili-  
4           ate described in subparagraph (A) which is not  
5           a bank, in any activity in which such company  
6           or any affiliate described in subparagraph (A)  
7           was authorized to engage as of September 22,  
8           1995, or in which such company was authorized  
9           to engage following a merger of insured deposi-  
10          tory institution subsidiaries pursuant to an ap-  
11          plication filed no later than such date,  
12          if the requirements of paragraph (4) are met.

13          “(2) QUALIFIED BANK HOLDING COMPANY DE-  
14          FINED.—For purposes of this subsection, the term  
15          ‘qualified bank holding company’ means—

16               “(A) any company which—

17                   “(i) as of September 13, 1995, is a  
18                   savings and loan holding company and is  
19                   not a bank holding company; and

20                   “(ii) becomes a bank holding company  
21                   after such date,

22               or any subsidiary of such company; and

23               “(B) any bank holding company which as  
24               of September 13, 1995—

1                   “(i) is a savings and loan holding  
2                   company; and

3                   “(ii) is exempt from this section pur-  
4                   suant to an order issued by the Board  
5                   under subsection (d).

6                   “(3) NO LOSS OF SUBSECTION (d) EXEMP-  
7                   TION.—No qualified bank holding company de-  
8                   scribed in paragraph (2)(B) shall lose the grounds  
9                   for the exemption under subsection (d) because a  
10                  savings association which such company controlled,  
11                  directly or indirectly, as of September 13, 1995, be-  
12                  comes a bank after such date so long as such bank  
13                  continues to meet the requirements of subpara-  
14                  graphs (A) and (B) of paragraph (4).

15                  “(4) PREREQUISITES FOR CONTINUATION OF  
16                  GRANDFATHERED ACTIVITIES AND AFFILIATIONS.—  
17                  This subsection shall cease to apply with respect to  
18                  a qualified bank holding company if, at any time  
19                  after such company first meets the definition of a  
20                  qualified bank holding company—

21                         “(A) any insured depository institution  
22                         controlled by such company which, as of the  
23                         day before the company first meets the defini-  
24                         tion of a qualified bank holding company—

1           “(i) was subject to the requirements  
2           contained in section 10(m) of the Home  
3           Owners’ Loan Act, as in effect on such  
4           date, (and regulations in effect on such  
5           date under such section) for treatment as  
6           a qualified thrift lender under such section;  
7           and

8           “(ii) was not a savings association de-  
9           scribed in section 10(m)(3)(F) of such Act,  
10          as in effect on such date,

11         fails to meet any requirement of such section;

12         “(B) any insured depository institution  
13         controlled by such company fails to comply with  
14         any limitation or restriction on the type or  
15         amounts of loans or investments of the institu-  
16         tion to which such institution was subject as of  
17         the date of the enactment of the Thrift Charter  
18         Conversion Act of 1995, other than any limita-  
19         tion relating to qualified thrift investments  
20         under section 10(m) of the Home Owners’ Loan  
21         Act, as in effect on such date; or

22         “(C) the company or any subsidiary of the  
23         company acquires more than 5 percent of the  
24         shares or assets of any bank or any savings as-  
25         sociation (as defined in section 3 of the Federal

1 Deposit Insurance Act, as in effect on the date  
 2 of the enactment of the Thrift Charter Conver-  
 3 sion Act of 1995) after September 13, 1995.

4 “(5) NONTRANSFERABLE.—This subsection  
 5 shall not apply with respect to any qualified bank  
 6 holding company if, after September 13, 1995—

7 “(A) any person not under common control  
 8 with such company acquires, directly or indi-  
 9 rectly, control of the company; or

10 “(B) the company is the subject of any  
 11 merger, consolidation, or other similar trans-  
 12 action as a result of which a person not under  
 13 common control with such company acquires,  
 14 directly or indirectly, control of such company.

15 “(6) ENFORCEMENT.—In addition to any other  
 16 power of the Board, the Board may enforce compli-  
 17 ance with the provisions of this subsection with re-  
 18 spect to any qualified bank holding company and  
 19 any bank controlled by such company under section  
 20 8 of the Federal Deposit Insurance Act.”.

21 **SEC. 103. TRANSITION PROVISIONS FOR ACTIVITIES OF**  
 22 **SAVINGS ASSOCIATIONS WHICH CONVERT**  
 23 **INTO OR BECOME TREATED AS BANKS.**

24 (a) IN GENERAL.—Notwithstanding any other provi-  
 25 sion of Federal law, any insured depository institution

1 which, as of September 13, 1995, is a savings association  
 2 (as defined in section 3(b) of the Federal Deposit Insur-  
 3 ance Act (as in effect on such date)) and after such date  
 4 converts to a national or State bank charter or becomes  
 5 treated as a State bank pursuant to the amendment made  
 6 by section 101(b) may continue to engage, directly or indi-  
 7 rectly, in any activity in which such institution was law-  
 8 fully engaged as of such date during the 2-year period be-  
 9 ginning on the effective date of such conversion or the ef-  
 10 fective date of such amendments, as the case may be.

11 (b) 2 1-YEAR EXTENSIONS AUTHORIZED.—The 2-  
 12 year period described in subsection (a) with respect to any  
 13 insured depository institution may be extended for such  
 14 institution not to exceed 2 additional times for not more  
 15 than 1 year each time if the appropriate Federal banking  
 16 agency determines that such extension is necessary to  
 17 avert substantial loss to the institution and is otherwise  
 18 consistent with the safety and soundness of the institution.

19 **SEC. 104. REGISTRATION OF BANK HOLDING COMPANIES**  
 20 **RESULTING FROM CONVERSIONS OF SAV-**  
 21 **INGS ASSOCIATIONS TO BANKS OR TREAT-**  
 22 **MENT OF SAVINGS ASSOCIATIONS AS BANKS.**

23 Section 3 of the Bank Holding Company Act of 1956  
 24 (12 U.S.C. 1842) is amended by adding at the end the  
 25 following new subsections:

1       “(h) REGISTRATION OF CERTAIN BANK HOLDING  
2 COMPANIES.—A company which, as of September 13,  
3 1995, is a savings and loan holding company (as defined  
4 in section 10(a)(1)(D) of Home Owners’ Loan Act (as in  
5 effect on such date) and is not a bank holding company  
6 shall not be required to obtain the approval of the Board  
7 under subsection (a) to become a bank holding company  
8 after September 13, 1995, as a result of the conversion  
9 of any insured depository institution subsidiary of such  
10 company into a bank or by virtue of the treatment of any  
11 insured depository institution subsidiary of such company  
12 as a bank pursuant to the amendments made by the Thrift  
13 Charter Conversion Act of 1995, if such company—

14               “(1) registers as a bank holding company with  
15 the Board in accordance with section 5(a); and

16               “(2) does not acquire, directly or indirectly,  
17 ownership or control of any additional insured de-  
18 pository institution or other company in connection  
19 with such conversion or treatment.

20       “(i) REGULATION OF QUALIFIED BANK HOLDING  
21 COMPANIES.—The Board shall regulate qualified bank  
22 holding companies (as defined in section 4(k)(2)) in a  
23 manner consistent with—

24               “(1) the regulation of such companies by the  
25 Director of the Office of Thrift Supervision before

1 the date of the enactment of the Thrift Charter Con-  
 2 version Act of 1995; and

3 “(2) the safety and soundness of insured depos-  
 4 itory institution subsidiaries of such companies.”.

5 **SEC. 105. ADDITIONAL TRANSITION PROVISIONS AND SPE-**  
 6 **CIAL RULES.**

7 (a) MUTUAL NATIONAL BANKS AUTHORIZED; CON-  
 8 VERSION OF MUTUAL SAVINGS ASSOCIATIONS INTO NA-  
 9 TIONAL BANKS.—

10 (1) IN GENERAL.—Chapter one of title LXII of  
 11 the Revised Statutes of the United States (12  
 12 U.S.C. 21 et seq.) is amended by inserting after sec-  
 13 tion 5133 the following new section:

14 **“SEC. 5133A. MUTUAL NATIONAL BANKS.**

15 “(a) IN GENERAL.—Notwithstanding the paragraph  
 16 designated the “Third” of section 5134, the Comptroller  
 17 of the Currency may charter national banks organized in  
 18 the mutual form either de novo or through a conversion  
 19 of any stock national or State bank (as defined in section  
 20 3 of the Federal Deposit Insurance Act) or any State mu-  
 21 tual bank or credit union, subject to regulations prescribed  
 22 by the Comptroller of the Currency in accordance with this  
 23 section.

24 “(b) REGULATIONS.—

1           “(1) TRANSITION RULES.—National banks or-  
2           ganized in the mutual form shall be subject to the  
3           regulations of the Director of the Office of Thrift  
4           Supervision governing corporate organization, gov-  
5           ernance, and conversion of mutual institutions, as in  
6           effect on September 13, 1995, including parts 543,  
7           544, 546, 563b, and 563c of chapter V of title 12  
8           of the Code of Federal Regulations (as in effect on  
9           such date), during the 3-year period beginning on  
10          the date of the enactment of the Thrift Charter Con-  
11          version Act of 1995.

12          “(2) REGULATIONS OF THE COMPTROLLER.—  
13          The Comptroller of the Currency shall prescribe ap-  
14          propriate regulations for national banks organized in  
15          the mutual form, effective as of the end of the 3-  
16          year period referred to in paragraph (1).

17          “(3) APPLICABILITY OF CAPITAL STOCK RE-  
18          QUIREMENTS.—The Comptroller of the Currency  
19          shall prescribe regulations regarding the manner in  
20          which requirements of title LXII of the Revised  
21          Statutes of the United States with respect to capital  
22          stock, and limitations imposed on national banks  
23          under such title based on capital stock, shall apply  
24          to national banks organized in mutual form pursu-  
25          ant to subsection (a).



1 “(c) CONVERSIONS.—

2 “(1) CONVERSION TO STOCK NATIONAL  
3 BANK.—Subject to such regulations as the Comp-  
4 troller of the Currency may prescribe for the protec-  
5 tion of depositors’ rights and for any other purpose  
6 the Comptroller of the Currency may consider ap-  
7 propriate, any national bank which is organized in  
8 mutual form pursuant to paragraph (1) may reorga-  
9 nize as a stock national bank.

10 “(2) CONVERSIONS TO STATE BANKS.—Any na-  
11 tional mutual bank may convert to a State bank  
12 charter in accordance with regulations prescribed by  
13 the Comptroller of the Currency and applicable  
14 State law.”.

15 (2) MUTUAL BANK HOLDING COMPANIES.—  
16 Subsection (g) of section 3 of the Bank Holding  
17 Company Act of 1956 (12 U.S.C. 1842(g)) is  
18 amended to read as follows:

19 “(g) MUTUAL BANK HOLDING COMPANIES.—

20 “(1) IN GENERAL.—A national mutual bank  
21 may reorganize so as to become a holding company  
22 by—

23 “(A) chartering an interim national bank,  
24 the stock of which is to be wholly owned, except

1 as otherwise provided in this section, by the na-  
2 tional mutual bank; and

3 “(B) transferring the substantial part of  
4 the national mutual bank’s assets and liabil-  
5 ities, including all of the bank’s insured liabil-  
6 ities, to the interim national bank.

7 “(2) DIRECTORS AND CERTAIN ACCOUNT HOLD-  
8 ERS’ APPROVAL OF PLAN REQUIRED.—A reorganiza-  
9 tion is not authorized under this subsection unless—

10 “(A) a plan providing for such reorganiza-  
11 tion has been approved by a majority of the  
12 board of directors of the national mutual bank;  
13 and

14 “(B) in the case of a national mutual bank  
15 in which holders of accounts and obligors exer-  
16 cise voting rights, such plan has been submitted  
17 to and approved by a majority of such individ-  
18 uals at a meeting held at the call of the direc-  
19 tors in accordance with the procedures pre-  
20 scribed by the bank’s charter and bylaws.

21 “(3) NOTICE TO THE BOARD; DISAPPROVAL PE-  
22 RIOD.—

23 “(A) NOTICE REQUIRED.—

24 “(i) IN GENERAL.—At least 60 days  
25 before taking any action described in para-

graph (1), a national mutual bank seeking to establish a mutual holding company shall provide written notice to the Board.

“(ii) CONTENTS OF NOTICE.—The notice shall contain such relevant information as the Board shall require by regulation or by specific request in connection with any particular notice.

“(B) TRANSACTION ALLOWED IF NOT DISAPPROVED.—Unless the Board within such 60-day notice period disapproves the proposed holding company formation, or extends for another 30 days the period during which such disapproval may be issued, the national mutual bank providing such notice may proceed with the transaction, if the requirements of paragraph (2) have been met.

“(C) GROUNDS FOR DISAPPROVAL.—The Board may disapprove any proposed holding company formation only if—

“(i) such disapproval is necessary to prevent unsafe or unsound practices;

“(ii) the financial or management resources of the national mutual bank involved warrant disapproval;

1           “(iii) the national mutual bank fails  
2           to furnish the information required under  
3           subparagraph (A); or

4           “(iv) the national mutual bank fails to  
5           comply with the requirement of paragraph  
6           (2).

7           “(D) RETENTION OF CAPITAL ASSETS.—In  
8           connection with the transaction described in  
9           paragraph (1), a national mutual bank may,  
10          subject to the approval of the Board, retain  
11          capital assets at the holding company level to  
12          the extent that the capital retained at the hold-  
13          ing company is in excess of the amount of cap-  
14          ital required in order for the interim national  
15          bank to meet all relevant capital standards es-  
16          tablished by the Comptroller of the Currency  
17          for national banks.

18          “(4) OWNERSHIP.—

19               “(A) IN GENERAL.—Persons having own-  
20               ership rights in the national mutual bank under  
21               section 5133A of the Revised Statutes of the  
22               United States (including paragraph 575.5 of  
23               chapter V of title 12 of the Code of Federal  
24               Regulations, as in effect on September 13,  
25               1995, and applicable to national mutual banks

1           pursuant to such section) or State law shall  
2           have the same ownership rights with respect to  
3           the mutual holding company.

4           “(B) HOLDERS OF CERTAIN ACCOUNTS.—  
5           Holders of savings, demand, or other accounts  
6           of—

7                   “(i) a national bank chartered as part  
8                   of a transaction described in paragraph  
9                   (1); or

10                   “(ii) a mutual bank acquired pursuant  
11                   to paragraph (5)(B),  
12           shall have the same ownership rights with re-  
13           spect to the mutual holding company as persons  
14           described in subparagraph (A) of this para-  
15           graph.

16           “(5) PERMITTED ACTIVITIES.—A mutual hold-  
17           ing company may engage only in the following activi-  
18           ties:

19                   “(A) Investing in the stock of a national or  
20                   State bank.

21                   “(B) Acquiring a mutual bank through the  
22                   merger of such bank into a national bank sub-  
23                   sidiary of such holding company or an interim  
24                   national bank subsidiary of such holding com-  
25                   pany.

1           “(C) Subject to paragraph (6), merging  
2           with or acquiring another holding company, one  
3           of whose subsidiaries is a national mutual bank.

4           “(D) Investing in a corporation the capital  
5           stock of which is available for purchase by a na-  
6           tional mutual bank under Federal law or under  
7           the law of any State where the home office of  
8           any subsidiary bank is located.

9           “(E) Engaging in the activities permitted  
10          under section 4(c).

11          “(6) LIMITATIONS ON CERTAIN ACTIVITIES OF  
12          ACQUIRED HOLDING COMPANIES.—

13               “(A) NEW ACTIVITIES.—If a mutual hold-  
14               ing company acquires or merges with another  
15               holding company under paragraph (5)(C), the  
16               holding company acquired or the holding com-  
17               pany resulting from such merger or acquisition  
18               may only invest in assets and engage in activi-  
19               ties which are authorized under paragraph (5).

20               “(B) GRACE PERIOD FOR DIVESTING PRO-  
21               HIBITED ASSETS OR DISCONTINUING PROHIB-  
22               ITED ACTIVITIES.—Not later than 2 years fol-  
23               lowing a merger or acquisition described in  
24               paragraph (5)(C), the acquired holding com-

pany or the holding company resulting from  
such merger or acquisition shall—

“(i) dispose of any asset which is an  
asset in which a mutual holding company  
may not invest under paragraph (5); and

“(ii) cease any activity which is an ac-  
tivity in which a mutual holding company  
may not engage under paragraph (5).

“(7) CHARTERING AND OTHER REQUIRE-  
MENTS.—

“(A) IN GENERAL.—A mutual holding  
company shall be chartered by the Board and  
shall be subject to such regulations as the  
Board may prescribe.

“(B) OTHER REQUIREMENTS.—Unless the  
context otherwise requires, a mutual holding  
company shall be subject to the other require-  
ments of this Act regarding regulation of hold-  
ing companies.

“(8) CAPITAL IMPROVEMENT.—

“(A) PLEDGE OF STOCK OF SAVINGS ASSO-  
CIATION SUBSIDIARY.—This section shall not  
prohibit a mutual holding company from pledg-  
ing all or a portion of the stock of a national  
bank chartered as part of a transaction de-

1           scribed in paragraph (1) to raise capital for  
2           such bank.

3           “(B) ISSUANCE OF NONVOTING SHARES.—  
4           No provision of this Act shall be construed as  
5           prohibiting a national bank chartered as part of  
6           a transaction described in paragraph (1) from  
7           issuing any nonvoting shares or less than 50  
8           percent of the voting shares of such bank to  
9           any person other than the mutual holding com-  
10          pany.

11          “(9) INSOLVENCY AND LIQUIDATION.—

12               “(A) IN GENERAL.—Notwithstanding any  
13               provision of law, upon—

14                       “(i) the default of any national  
15                       bank—

16                               “(I) the stock of which is owned  
17                               by any mutual holding company; and

18                               “(II) which was chartered in a  
19                               transaction described in paragraph  
20                               (1);

21                       “(ii) the default of a mutual holding  
22                       company; or

23                       “(iii) a foreclosure on a pledge by a  
24                       mutual holding company described in para-  
25                       graph (8)(A), a trustee shall be appointed



1 receiver of such mutual holding company  
2 and such trustee shall have the authority  
3 to liquidate the assets of, and satisfy the  
4 liabilities of, such mutual holding company  
5 pursuant to title 11, United States Code.

6 “(B) DISTRIBUTION OF NET PROCEEDS.—

7 Except as provided in subparagraph (C), the  
8 net proceeds of any liquidation of any mutual  
9 holding company pursuant to subparagraph (A)  
10 shall be transferred to persons who hold owner-  
11 ship interests in such mutual holding company.

12 “(C) RECOVERY BY CORPORATION.—If the

13 Corporation incurs a loss as a result of the de-  
14 fault of any insured depository institution sub-  
15 sidiary of a mutual holding company which is  
16 liquidated pursuant to subparagraph (A), the  
17 Corporation shall succeed to the ownership in-  
18 terests of the depositors of such depository in-  
19 stitution in the mutual holding company, to the  
20 extent of the Corporation’s loss.

21 “(10) STATE MUTUAL BANK HOLDING COM-

22 PANY.—

23 “(A) IN GENERAL.—Notwithstanding any  
24 provision of Federal law, a State bank operat-

ing in mutual form may reorganize so as to  
form a holding company under State law.

“(B) REGULATION OF STATE MUTUAL  
HOLDING COMPANY.—A corporation organized  
as a holding company in accordance with sub-  
paragraph (A) shall be regulated on the same  
terms and be subject to the same limitations as  
any other holding company which controls a  
bank.

“(11) REGULATIONS.—

“(A) TRANSITION RULES.—Mutual bank  
holding companies organized under this sub-  
section shall be subject to the regulations of the  
Director of the Office of Thrift Supervision gov-  
erning corporate organization, governance, and  
conversion of mutual institutions, as in effect  
on September 13, 1995, including part 575 of  
chapter V of title 12 of the Code of Federal  
Regulations (as in effect on such date), during  
the 3-year period beginning on the date of the  
enactment of the Thrift Charter Conversion Act  
of 1995.

“(B) REGULATIONS OF THE BOARD.—The  
Board shall prescribe appropriate regulations  
for mutual holding companies, effective at the

1 end of the 3-year period referred to in subpara-  
2 graph (A).

3 “(12) NO CHANGE OF CONTROL.—Any 2d stage  
4 conversion of a mutual holding company to full stock  
5 form shall not be deemed to be a change of control  
6 if, in connection with such conversion, no company,  
7 directly or indirectly, acquires control of such mu-  
8 tual holding company or any successor to such com-  
9 pany.

10 “(13) DEFINITIONS.—For purposes of this sub-  
11 section—

12 “(A) MUTUAL HOLDING COMPANY.—The  
13 term ‘mutual holding company’ means a cor-  
14 poration organized as a holding company under  
15 this subsection.

16 “(B) DEFAULT.—The term ‘default’  
17 means an adjudication or other official deter-  
18 mination of a court of competent jurisdiction or  
19 other public authority pursuant to which a con-  
20 servator, receiver, or other legal custodian is  
21 appointed.

22 “(C) NATIONAL MUTUAL BANK.—The term  
23 ‘national mutual bank’ means a national bank  
24 organized in mutual form under section 5133A  
25 of the Revised Statutes of the United States.”.

1           (3) LIMITATION ON FEDERAL REGULATION OF  
2       STATE BANKS.—Except as otherwise provided in  
3       Federal law, the Comptroller of the Currency, Board  
4       of Governors of the Federal Reserve System, and  
5       Federal Deposit Insurance Corporation may not  
6       adopt or enforce any regulation which contravenes  
7       the corporate governance rules prescribed by State  
8       law or regulation for State banks unless the Comp-  
9       troller, Board, or Corporation finds that such Fed-  
10      eral regulation is necessary to assure the safety and  
11      soundness of such State banks.

12          (4) CONVERSIONS OF MUTUAL SAVINGS ASSO-  
13      CIATIONS TO MUTUAL NATIONAL BANKS BY OPER-  
14      ATION OF LAW.—Notwithstanding any other provi-  
15      sion of Federal or State law, any savings association  
16      (as defined in section 3 of the Federal Deposit In-  
17      surance Act (as in effect on September 13, 1995))  
18      which is organized in mutual form as of the date of  
19      the enactment of this Act may become a national  
20      mutual bank by operation of law if the association—

21           (A) files the articles of association and or-  
22           ganization certificate with the Comptroller of  
23           the Currency before January 1, 1998, in ac-  
24           cordance with chapter one of title LXII of the  
25           Revised Statutes of the United States; and

1 (B) provides such other document or infor-  
2 mation as the Comptroller of the Currency may  
3 prescribe in regulations consistent with this sec-  
4 tion and section 5133A of the Revised Statutes  
5 of the United States (as added by paragraph  
6 (1) of this subsection).

7 (b) MEMBERSHIP IN FEDERAL HOME LOAN  
8 BANKS.—Any insured depository institution which—

9 (1) as of the date of the enactment of this Act,  
10 is a Federal savings association which, pursuant to  
11 section 6(e) of the Federal Home Loan Bank Act,  
12 may not voluntarily withdraw from membership in a  
13 Federal home loan bank; and

14 (2) after such date converts from a Federal  
15 savings association to a national bank,  
16 shall continue to be subject to the prohibition under such  
17 section on voluntary withdrawal from such membership as  
18 though such bank were still a Federal savings association  
19 until the bank ceases to be a national bank.

20 (c) BRANCHES.—

21 (1) IN GENERAL.—Notwithstanding any provi-  
22 sion of the Federal Deposit Insurance Act, the Bank  
23 Holding Company Act of 1956, or any other Federal  
24 or State law, any depository institution which—

1 (A) as of the date of the enactment of this  
2 Act, is a savings association; and

3 (B) becomes a bank before January 1,  
4 1998, or, pursuant to the amendments made by  
5 this subsection, is treated as a bank as of such  
6 date under the Federal Deposit Insurance Act,  
7 and any depository institution or bank holding com-  
8 pany which acquires such depository institution, may  
9 continue, after the depository institution becomes or  
10 commences to be treated as a bank, to operate any  
11 branch or agency which the savings association was  
12 operating as a branch or agency or was in the proc-  
13 ess of establishing as a branch or agency on Septem-  
14 ber 13, 1995.

15 (2) NO ADDITIONAL BRANCHES.—Paragraph  
16 (1) shall not be construed as authorizing the estab-  
17 lishment, acquisition, or operation of any additional  
18 branch of a depository institution, or the conversion  
19 of any agency to a branch, in any State by virtue  
20 of the operation by such institution of a branch or  
21 agency in such State pursuant to such paragraph ex-  
22 cept to the extent such establishment, acquisition,  
23 operation, or conversion is permitted under the Fed-  
24 eral Deposit Insurance Act, Bank Holding Company

1 Act of 1956, and any other applicable Federal or  
2 State law without regard to such branch or agency.

3 (3) ESTABLISHING A BRANCH OR AGENCY.—

4 For purposes of paragraph (1), a savings association  
5 shall be treated as having been in the process of es-  
6 tablishing a branch or agency as of September 13,  
7 1995, if, as of such date, the savings association—

8 (A) had received approval from the Direc-  
9 tor of the Office of Thrift Supervision to estab-  
10 lish such branch or agency;

11 (B) had pending with the Director of the  
12 Office of Thrift Supervision an application or  
13 notice to establish such branch or agency;

14 (C) had a legal and contractual obligation  
15 to establish such branch or agency;

16 (D) had received authority from the appro-  
17 priate Federal banking agency to establish such  
18 branch in connection with the assumption of li-  
19 abilities or an acquisition of an insured deposi-  
20 tory institution pursuant to subsection (f) or  
21 (k) of section 13 of the Federal Deposit Insur-  
22 ance Act or such 408(m) of the National Hous-  
23 ing Act (as in effect before the date of the en-  
24 actment of the Financial Institutions Reform,  
25 Recovery, and Enforcement Act of 1989); or

1           (E) in the case of a well capitalized deposi-  
2           tory institution, is able to demonstrate to the  
3           appropriate Federal banking agency that the  
4           savings association—

5                   (i) had made a significant financial  
6                   commitment; and

7                   (ii) had taken legally binding action or  
8                   incurred a contractual obligation,  
9           in furtherance of the establishment of such  
10          branch or agency.

11          (d) TRANSITION PROVISION RELATING TO LIMITA-  
12          TIONS ON LOANS TO 1 BORROWER.—Section 5200 of the  
13          Revised Statutes of the United States (12 U.S.C. 84) is  
14          amended by adding at the end the following new sub-  
15          section:

16          “(e) TRANSITION PROVISION FOR SAVINGS ASSOCIA-  
17          TIONS CONVERTING TO NATIONAL BANKS.—In the case  
18          of any depository institution which, as of September 13,  
19          1995, is a savings association (as defined in section 3(b)  
20          of the Federal Deposit Insurance Act (as in effect on such  
21          date)) and becomes a national bank on or before January  
22          1, 1998, any loan, or legally binding commitment to make  
23          a loan, made or entered into by such institution which is  
24          outstanding on the date the institution becomes a national  
25          bank may continue to be held without regard to any limi-



1 tation contained in this section during the 3-year period  
2 beginning on such date.”.

3 (e) RIGHTS AND AUTHORITY OF BANKS RESULTING  
4 FROM CONVERSIONS OF SAVINGS ASSOCIATIONS.—

5 (1) IN GENERAL.—Upon conversion of a sav-  
6 ings association to a national or State bank in ac-  
7 cordance with this Act and the amendments made  
8 by this Act or other provisions of law—

9 (A) the national or State bank shall suc-  
10 ceed to all rights, benefits, privileges, powers  
11 and franchises, and be subject to all the obliga-  
12 tions, duties, restrictions, and disabilities, of  
13 such savings association under any contract,  
14 agreement, document, or instrument in effect at  
15 the time of such conversion to which such sav-  
16 ings association was a party; and

17 (B) any reference to the savings associa-  
18 tion in any such contract, agreement, docu-  
19 ment, or instrument shall be deemed to be a  
20 reference to such national or State bank.

21 (2) TREATMENT OF BANK OR SAVINGS ASSOCIA-  
22 TION.—If the application of paragraph (1) with re-  
23 spect to any national or State bank referred to in  
24 such paragraph would—

1 (A) be inconsistent or in conflict with any  
 2 contract, agreement, document, or instrument  
 3 described in such paragraph;

4 (B) constitute a default under the con-  
 5 tract, agreement, document, or instrument;

6 (C) cause such national or State bank to  
 7 be in default or breach under any provision of  
 8 the contract, agreement, document, or instru-  
 9 ment,  
 10 the national or State bank shall be deemed to be,  
 11 and treated as, a savings association for purposes of  
 12 the contract, agreement, document, or instrument.

13 (f) TRANSFER AND GRANDFATHER OF MUTUAL  
 14 HOLDING COMPANIES.—

15 (1) SUPERVISION AND REGULATION OF MUTUAL  
 16 HOLDING COMPANIES.—

17 (A) IN GENERAL.—The supervision and  
 18 regulation of any mutual holding company in  
 19 existence as of the date of the enactment of this  
 20 Act is hereby transferred to the Board of Gov-  
 21 ernors of the Federal Reserve System.

22 (B) TRANSITION RULES.—Mutual bank  
 23 holding companies described in subparagraph  
 24 (A) shall be subject to the regulations of the  
 25 Director of the Office of Thrift Supervision, as

1 in effect on September 13, 1995, including part  
2 575 of chapter V of title 12 of the Code of Fed-  
3 eral Regulations (as in effect on such date),  
4 during the 3-year period beginning on the date  
5 of the enactment of the Thrift Charter Conver-  
6 sion Act of 1995.

7 (2) GRANDFATHER OF EXISTING FEDERAL MU-  
8 TUAL HOLDING COMPANIES.—

9 (A) IN GENERAL.—Any Federal mutual  
10 holding company in existence as of the date of  
11 the enactment of this Act shall be subject to  
12 section 4(k) of the Bank Holding Company Act  
13 of 1956 (as added by section 102 of this Act).

14 (B) TREATMENT UNDER 4(k).—Any treat-  
15 ment of a Federal mutual holding company  
16 under section 4(k) shall not be construed as a  
17 change in control unless, as a result of the  
18 transaction, the holding company no longer con-  
19 trols the entity.

20 **SEC. 106. TECHNICAL AND CONFORMING AMENDMENTS.**

21 (a) AMENDMENTS TO THE FEDERAL DEPOSIT IN-  
22 SURANCE ACT.—

23 (1) Section 3(z) of the Federal Deposit Insur-  
24 ance Act (12 U.S.C. 1813(z)) is amended by strik-

1 ing “, the Director of the Office of Thrift Super-  
2 vision,”.

3 (2) Section 8(b) of the Federal Deposit Insur-  
4 ance Act (12 U.S.C. 1818(b)) is amended by strik-  
5 ing paragraph (9).

6 (3) Section 13 of the Federal Deposit Insurance  
7 Act (12 U.S.C. 1823) is amended by striking sub-  
8 section (k).

9 (4) Subsections (c)(2) and (i)(2) of section 18  
10 of the Federal Deposit Insurance Act (12 U.S.C.  
11 1828) are each amended—

12 (A) in subparagraph (B), by inserting  
13 “and” after the semicolon;

14 (B) in subparagraph (C), by striking “;  
15 and” and inserting a period; and

16 (C) by striking subparagraph (D).

17 (5) Section 18 of the Federal Deposit Insurance  
18 Act (12 U.S.C. 1828) is amended by striking sub-  
19 section (m).

20 (6) The Federal Deposit Insurance Act (12  
21 U.S.C. 1811 et seq.) is amended by striking section  
22 28.

23 (b) AMENDMENTS TO THE BANK HOLDING COMPANY  
24 ACT OF 1956.—

1           (1) Section 2 of the Bank Holding Company  
2       Act of 1956 (12 U.S.C. 1841) is amended by strik-  
3       ing subsections (i) and (j).

4           (2) Section 4(c)(8) of the Bank Holding Com-  
5       pany Act of 1956 (12 U.S.C. 1843(c)(8)) is amend-  
6       ed by striking the sentence preceding the penul-  
7       timate sentence.

8           (3) Section 4(f) of the Bank Holding Company  
9       Act of 1956 (12 U.S.C. 1843(f)) is amended—

10           (A) in paragraph (2)(A)(i), by striking “or  
11       an insured institution” and all that follows  
12       through “of this subsection”;

13           (B) in paragraph (2)(A)(ii)—

14           (i) by striking “or a savings associa-  
15       tion” where such term appears in the por-  
16       tion of such paragraph which precedes  
17       subclause (I);

18           (ii) by inserting “and” at the end of  
19       subclause (VI);

20           (iii) by striking subclauses (VIII),  
21       (IX), and (X); and

22           (iv) by striking “(V), and (VIII)”,  
23       where such term appears in the portion of  
24       such paragraph which appears after the

1                   end of subclause (VII), and inserting “and  
2                   (V)””; and

3                   (C) by striking paragraphs (10), (11),  
4                   (12), and (13).

5                   (4) Section 4(i) of the Bank Holding Company  
6                   Act of 1956 (12 U.S.C. 1843(i)) is amended—

7                   (A) by striking paragraphs (1) and (2);  
8                   and

9                   (B) in paragraph (3)(A), by striking “any  
10                  Federal savings association” and all that fol-  
11                  lows through the period at the end of such  
12                  paragraph and inserting “such association was  
13                  authorized to engage under this section as of  
14                  September 15, 1995.”.

15                  (c) OTHER TECHNICAL AND CONFORMING AMEND-  
16                  MENTS.—

17                  (1) Section 804(a) of the Alternative Mortgage  
18                  Transaction Parity Act of 1982 (12 U.S.C. 3803) is  
19                  amended—

20                  (A) in the portion of such subsection which  
21                  precedes paragraph (1)—

22                          (i) by striking “, and other  
23                          nonfederally chartered housing creditors,”;  
24                          and

1           (ii) by inserting “and in order to per-  
2           mit other nonfederally chartered housing  
3           creditors to make, purchase, and enforce  
4           alternative mortgage transactions,” after  
5           “enforcing alternative mortgage trans-  
6           actions, ”; and

7           (B) in paragraph (1), by inserting “(as  
8           such term is defined in section 3(a) of the Fed-  
9           eral Deposit Insurance Act)” after “with re-  
10          spect to banks”.

11          (2) Section 205 of the Depository Institution  
12          Management Interlocks Act (12 U.S.C. 3204) is  
13          amended—

14               (A) in the portion of paragraph (8)(A)  
15               which precedes clause (i), by striking “diversi-  
16               fied savings” and all that follows through “with  
17               respect to” and inserting “depository institution  
18               holding company which, as of September 13,  
19               1995, and at all times thereafter, satisfies the  
20               consolidated net worth and consolidated net  
21               earnings requirements for a diversified savings  
22               and loan holding company (as set forth in sec-  
23               tion 10(1)(F) of Home Owners’ Loan Act, as  
24               such section is in effect on such date, and in  
25               regulations in effect on such date, which shall

1 be applicable for purposes of this paragraph  
2 without regard to the fact that a depository in-  
3 stitution subsidiary of such holding company  
4 has ceased to be a savings association after  
5 September 13, 1995) with respect to”; and

6 (B) by striking paragraph (9).

7 (3) Section 19(b)(1)(A) of the Federal Reserve  
8 Act (12 U.S.C. 461(b)(1)(A)) is amended—

9 (A) by inserting “and” after the semicolon  
10 at the end of clause (v); and

11 (B) by striking clause (vi).

12 (4) Subparagraphs (A), (B), and (C) of section  
13 10(e)(5) of the Federal Home Loan Bank Act (12  
14 U.S.C. 1430(e)(5)) are each amended by inserting  
15 before the period at the end “(as such section is in  
16 effect on September 13, 1995)”.

17 **SEC. 107. REFERENCES TO SAVINGS ASSOCIATIONS AND**  
18 **STATE BANKS IN FEDERAL LAW.**

19 Effective January 1, 1998, any reference in any Fed-  
20 eral banking law to—

21 (1) the term “savings association” shall be  
22 deemed to be a reference to a bank as defined in  
23 section 3(a) of the Federal Deposit Insurance Act;  
24 and



1           (2) the term “State bank” shall be deemed to  
2       include any depository institution included in the  
3       definition of such term in section 3(a)(2) of such  
4       Act.

5   **SEC. 108. REPEAL OF HOME OWNERS’ LOAN ACT.**

6       Effective January 1, 1998, the Home Owners’ Loan  
7   Act (12 U.S.C. 1461 et seq.) is hereby repealed.

8   **SEC. 109. EFFECTIVE DATE; DEFINITIONS.**

9       (a) EFFECTIVE DATE.—The amendments made by  
10   this title shall take effect on January 1, 1998.

11       (b) DEFINITIONS.—For purposes of this title, the  
12   terms “appropriate Federal banking agency”, “bank hold-  
13   ing company”, “depository institution”, “Federal savings  
14   association”, “insured depository institution”, “savings  
15   association”, and “State bank” have the same meanings  
16   as in section 3 of the Federal Deposit Insurance Act (as  
17   in effect on the date of the enactment of this Act).

18   **TITLE II—TRANSFER OF FUNC-**  
19       **TIONS, PERSONNEL, AND**  
20       **PROPERTY**

21   **SEC. 201. OFFICE OF THRIFT SUPERVISION ABOLISHED.**

22       Effective January 1, 1998, the Office of Thrift Su-  
23   pervision and the position of Director of the Office of  
24   Thrift Supervision are hereby abolished.

1 **SEC. 202. DETERMINATION OF TRANSFERRED FUNCTIONS**  
2 **AND EMPLOYEES.**

3 (a) ALL OFFICE OF THRIFT SUPERVISION EMPLOY-  
4 EES SHALL BE TRANSFERRED.—All employees of the Of-  
5 fice of Thrift Supervision shall be identified for transfer  
6 under subsection (b) to the Office of the Comptroller of  
7 the Currency, the Federal Deposit Insurance Corporation,  
8 or the Board of Governors of the Federal Reserve System.

9 (b) FUNCTIONS AND EMPLOYEES TRANSFERRED.—

10 (1) IN GENERAL.—The Director of the Office of  
11 Thrift Supervision, the Comptroller of the Currency,  
12 the Chairperson of the Federal Deposit Insurance  
13 Corporation, and the Chairman of the Board of Gov-  
14 ernors of the Federal Reserve System shall jointly  
15 determine the functions or activities of the Office of  
16 Thrift Supervision, and the number of employees of  
17 such Office necessary to perform or support such  
18 functions or activities, which are transferred from  
19 the Office to the Office of the Comptroller of the  
20 Currency, the Federal Deposit Insurance Corpora-  
21 tion, or the Board of Governors of the Federal Re-  
22 serve System, as the case may be.

23 (2) ALLOCATION OF EMPLOYEES.—The Comp-  
24 troller of the Currency, the Chairperson of the Fed-  
25 eral Deposit Insurance Corporation, and the Chair-  
26 man of the Board of Governors of the Federal Re-

1       serve System shall allocate the employees of the Of-  
2       fice of Thrift Supervision consistent with the num-  
3       ber determined pursuant to paragraph (1) in a man-  
4       ner which such Comptroller, Chairperson, and Chair-  
5       man, in their sole discretion, deem equitable, except  
6       that, within work units, the agency preferences of  
7       individual employees shall be accommodated as far  
8       as possible.

9       (c) DISPOSITION OF AFFAIRS.—

10           (1) IN GENERAL.—In winding up the affairs of  
11       the Office of Thrift Supervision, the Director of the  
12       Office of Thrift Supervision shall consult and co-  
13       operate with the Comptroller of the Currency, the  
14       Federal Deposit Insurance Corporation, and the  
15       Board of Governors of the Federal Reserve System,  
16       as the case may be, to facilitate the orderly transfer  
17       of the functions to such Comptroller, Corporation, or  
18       Board.

19           (2) CONTINUING AUTHORITY OF DIRECTOR OF  
20       THE OFFICE OF THRIFT SUPERVISION.—Except as  
21       provided in paragraph (1), no provision of this sub-  
22       title shall be construed as affecting the authority  
23       vested in the Director of the Office of Thrift Super-  
24       vision before the date of enactment of this Act which  
25       is necessary to carry out the duties of the position

1       until the date upon which the position of Director  
2       of the Office of Thrift Supervision is abolished.

3           (3) CONTINUATION OF AGENCY SERVICES.—  
4       Any agency, department, or other instrumentality of  
5       the United States, or any successor to any such  
6       agency, department, or instrumentality, which was  
7       providing support services to the Director of the Of-  
8       fice of Thrift Supervision on the day before the date  
9       such position is abolished shall—

10           (A) continue to provide such services on a  
11          reimbursable basis, in accordance with the  
12          terms of the arrangement pursuant to which  
13          such services were provided until the arrange-  
14          ment is modified or terminated in accordance  
15          with such terms, except that effective January  
16          1, 1998, the Comptroller of the Currency, the  
17          Federal Deposit Insurance Corporation, or the  
18          Board of Governors of the Federal Reserve Sys-  
19          tem, as the case may be, shall be substituted  
20          for the Director of the Office of Thrift Super-  
21          vision as a party to the arrangement; and

22           (B) consult with the Comptroller, the Cor-  
23          poration, or the Board to coordinate and facili-  
24          tate a prompt and reasonable transition.

1       (d) TRANSFER OF PROPERTY.—Effective January 1,  
2 1998, all property of the Office of Thrift Supervision shall  
3 be transferred to the Comptroller of the Currency, the  
4 Federal Deposit Insurance Corporation, or the Board of  
5 Governors of the Federal Reserve System, as determined  
6 in accordance with subsections (a) and (b).

7 **SEC. 203. SAVINGS PROVISIONS.**

8       (a) EXISTING RIGHTS, DUTIES, AND OBLIGATIONS  
9 NOT AFFECTED.—No provision of this title shall be con-  
10 strued as affecting the validity of any right, duty, or obli-  
11 gation of the United States, the Director of the Office of  
12 Thrift Supervision, or any person, which existed on the  
13 day before the date upon which the position of Director  
14 of the Office of Thrift Supervision and the Office of Thrift  
15 Supervision are abolished.

16       (b) CONTINUATION OF SUITS.—No action or other  
17 proceeding commenced by or against the Director of the  
18 Office of Thrift Supervision shall abate by reason of enact-  
19 ment of this Act, except that, effective January 1, 1998,  
20 the Comptroller of the Currency, the Federal Deposit In-  
21 surance Corporation, or the Board of Governors of the  
22 Federal Reserve System, as the case may be, shall be sub-  
23 stituted as a party to any such action or proceeding.

24       (c) CONTINUATION OF ADMINISTRATIVE RULES.—  
25 All orders, resolutions, determinations, regulations, inter-

1 pretative rules, other interpretations, guidelines, proce-  
2 dures, supervisory and enforcement actions, and other ad-  
3 visory material (other than any regulation implementing  
4 or prescribed pursuant to section 3(f) of the Home Own-  
5 ers' Loan Act (as in effect on September 13, 1995))  
6 which—

7 (1) have been issued, made, prescribed, or per-  
8 mitted to become effective by the Office of Thrift  
9 Supervision, and

10 (2) are in effect on December 31, 1997 (or be-  
11 come effective after such date pursuant to the terms  
12 of the order, resolution, determination, rule, other  
13 interpretation, guideline, procedure, supervisory or  
14 enforcement action, and other advisory material, as  
15 in effect on such date), shall—

16 (A) continue in effect according to the  
17 terms of such orders, resolutions, determina-  
18 tions, regulations, interpretative rules, other in-  
19 terpretations, guidelines, procedures, super-  
20 visory or enforcement actions, or other advisory  
21 material;

22 (B) be administered by the Comptroller of  
23 the Currency, the Federal Deposit Insurance  
24 Corporation, or the Board of Governors of the  
25 Federal Reserve System; and

1 (C) be enforceable by or against the Comp-  
 2 troller of the Currency, the Federal Deposit In-  
 3 surance Corporation, or the Board of Governors  
 4 of the Federal Reserve System until modified,  
 5 terminated, set aside, or superseded in accord-  
 6 ance with applicable law by the Comptroller,  
 7 Corporation, or Board, by any court of com-  
 8 petent jurisdiction, or by operation of law.

9 (d) TREATMENT OF REFERENCES IN ADJUSTABLE  
 10 RATE MORTGAGES ISSUED BEFORE FIRREA.—

11 (1) REFERENCES IN PRIOR LAW.—For purposes  
 12 of section 402(e) of Financial Institutions Reform,  
 13 Recovery, and Enforcement Act of 1989 (12 U.S.C.  
 14 1437 note), any reference in such section to—

15 (A) the Director of the Office of Thrift Su-  
 16 pervision shall be deemed to be a reference to  
 17 the Secretary of the Treasury; and

18 (B) a Savings Association Insurance Fund  
 19 member shall be deemed to be a reference to an  
 20 insured depository institution (as defined in sec-  
 21 tion 3 of the Federal Deposit Insurance Act).

22 (e) TREATMENT OF REFERENCES IN ADJUSTABLE  
 23 RATE MORTGAGE INSTRUMENTS ISSUED AFTER  
 24 FIRREA.—

1           (1) IN GENERAL.—For purposes of adjustable  
2     rate mortgage instruments that are in effect as of  
3     the date of enactment of this Act, any reference in  
4     the instrument to the Director of the Office of  
5     Thrift Supervision or Savings Association Insurance  
6     Fund members shall be treated as a reference to the  
7     Secretary of the Treasury or insured depository in-  
8     stitutions (as defined in section 3 of the Federal De-  
9     posit Insurance Act), as appropriate.

10          (2) SUBSTITUTION FOR INDEXES.—If any index  
11     used to calculate the applicable interest rate on any  
12     adjustable rate mortgage instrument is no longer  
13     calculated and made available as a direct or indirect  
14     result of the enactment of this Act, any index—

15                 (A) made available by the Secretary of the  
16     Treasury; or

17                 (B) determined by the Secretary of the  
18     Treasury, pursuant to paragraph (4), to be sub-  
19     stantially similar to the index which is no  
20     longer calculated or made available,  
21     may be substituted by the holder of any such adjust-  
22     able rate mortgage instrument upon notice to the  
23     borrower.

24          (3) AGENCY ACTION REQUIRED TO PROVIDE  
25     CONTINUED AVAILABILITY OF INDEXES.—Promptly



1 after the enactment of this subsection, the Secretary  
2 of the Treasury, the Chairperson of the Federal De-  
3 posit Insurance Corporation, and the Comptroller of  
4 the Currency shall take such action as may be nec-  
5 essary to assure that the indexes prepared by the  
6 Director of the Office of Thrift Supervision imme-  
7 diately before the enactment of this subsection and  
8 used to calculate the interest rate on adjustable rate  
9 mortgage instruments continue to be available.

10 (4) REQUIREMENTS RELATING TO SUBSTITUTE  
11 INDEXES.—If any agency can no longer make avail-  
12 able an index pursuant to paragraph (3), an index  
13 that is substantially similar to such index may be  
14 substituted for such index for purposes of paragraph  
15 (2) if the Secretary of the Treasury determines,  
16 after notice and opportunity for comment, that—

17 (A) the new index is based upon data sub-  
18 stantially similar to that of the original index;  
19 and

20 (B) the substitution of the new index will  
21 result in an interest rate substantially similar to  
22 the rate in effect at the time the original index  
23 became unavailable.

1 **SEC. 204. COST OF FUNDS INDEXES.**

2 (a) COST OF FUNDS INDEX DEFINED.—The term  
3 “cost of funds index” means any index that is published  
4 by a Federal home loan bank and is based, in whole or  
5 in part, upon the cost of funds of such bank’s members.

6 (b) CALCULATIONS BASED ON TYPE OF CHARTER  
7 AND INSURANCE FUND MEMBERSHIP OF MEMBERS.—If  
8 any cost of funds index includes data based on charter  
9 type, insurance fund membership, or other similar charac-  
10 teristics of members of a Federal home loan bank, such  
11 index shall be calculated after the date of the enactment  
12 of this Act using data only from insured depository insti-  
13 tutions which were bank members and whose data was in-  
14 cluded in such index on or before such date of enactment.

15 (c) ACQUISITION OF DATA.—

16 (1) IN GENERAL.—Each insured depository in-  
17 stitution the data from which is required to compile  
18 a cost of funds index in accordance with subsection  
19 (b) shall provide to the Federal home loan bank  
20 which maintains the index such information as may  
21 be necessary, and in such form as may be appro-  
22 priate, for the bank to calculate and publish the  
23 index.

24 (2) ENFORCEMENT BY BANKING AGENCIES.—  
25 Each appropriate Federal banking agency shall take  
26 such action as may be necessary to ensure that in-

1       sured depository institutions which are required to  
2       provide information to any Federal home loan bank  
3       under paragraph (1) furnish such information on a  
4       timely basis and in the form required by the bank.

5           (3) TREATMENT OF INSTITUTIONS.—Notwith-  
6       standing any other provision of law, an insured de-  
7       pository institution which furnishes information to a  
8       Federal home loan bank pursuant to this section for  
9       use in compiling a cost of funds index shall not be  
10      deemed to control, directly or indirectly, such index.

11      (d) CERTAIN DATA EXCLUDED.—Notwithstanding  
12     subsections (b) and (c), no cost of funds index shall in-  
13     clude any data from any insured depository institution  
14     which results from the merger, consolidation, or other  
15     combination of a member of a Federal home loan bank  
16     with a nonmember of any such bank if—

17           (1) the total assets of the nonmember exceed  
18       the total assets of the bank member at the time of  
19       such merger, consolidation, or other combination; or

20           (2) in the case of a merger, consolidation, or  
21       other merger in which a member of a Federal home  
22       loan bank is the resulting insured depository institu-  
23       tion, the combined ratio of the average amount of  
24       single-family loan balances to average total assets of  
25       all insured depository institutions involved in such

1 merger, consolidation, or other combination for the  
 2 12-month period ending on the date of such trans-  
 3 action is less than 70 percent.

4 (e) OTHER DEFINITIONS.—For purposes of this sec-  
 5 tion, the terms “appropriate Federal banking agency” and  
 6 “insured depository institution” have the same meanings  
 7 as in section 3 of the Federal Deposit Insurance Act.

8 **SEC. 205. REFERENCES IN FEDERAL LAW TO DIRECTOR OF**  
 9 **THE OFFICE OF THRIFT SUPERVISION.**

10 Effective January 1, 1998, any reference in any Fed-  
 11 eral law to the Director of the Office of Thrift Supervision  
 12 or the Office of Thrift Supervision shall be deemed to be  
 13 a reference to the appropriate Federal banking agency (as  
 14 defined in section 3(q) of the Federal Deposit Insurance  
 15 Act).

16 **SEC. 206. RECONFIGURATION OF BOARD OF DIRECTORS OF**  
 17 **FDIC AS A RESULT OF REMOVAL OF DIREC-**  
 18 **TOR OF THE OFFICE OF THRIFT SUPER-**  
 19 **VISION.**

20 (a) IN GENERAL.—Section 2(a)(1) of the Federal  
 21 Deposit Insurance Act (12 U.S.C. 1812(a)(1)) is amended  
 22 to read as follows:

23 “(1) IN GENERAL.—The management of the  
 24 Corporation shall be vested in a Board of Directors  
 25 consisting of 5 members—

1           “(A) 1 of whom shall be the Comptroller of  
2           the Currency; and

3           “(B) 4 of whom shall be appointed by the  
4           President, by and with the advice and consent  
5           of the Senate, from among individuals who are  
6           citizens of the United States, 1 of whom shall  
7           have State bank supervisory experience.”.

8           (b) TECHNICAL AND CONFORMING AMENDMENTS.—

9           (1) Section 2(d)(2) of the Federal Deposit In-  
10          surance Act (12 U.S.C. 1812(d)(2)) is amended—

11           (A) by striking “or the office of Director  
12           of the Office of Thrift Supervision”;

13           (B) by striking “or such Director”;

14           (C) by striking “or the Acting Director of  
15           the Office of Thrift Supervision, as the case  
16           may be”; and

17           (D) by striking “or Director”.

18           (2) Section 2(f)(2) of the Federal Deposit In-  
19          surance Act (12 U.S.C. 1812(f)(2)) is amended by  
20          striking “or of the Office of Thrift Supervision”.

21          (c) EFFECTIVE DATE.—The amendments made by  
22          subsections (a) and (b) shall take effect on January 1,  
23          1998.

1       **TITLE III—PRIVATE DEPOSIT**  
2                   **INSURANCE**

3   **SEC. 301. DEPOSIT INSURANCE STUDY.**

4       (a) IN GENERAL.—The Secretary of the Treasury  
5 shall conduct a study of the feasibility of converting the  
6 Federal Deposit Insurance Corporation (hereafter in this  
7 section referred to as the “Corporation”) into a self-fund-  
8 ed deposit insurance system.

9       (b) CONTENTS.—The study required by subsection  
10 (a) shall examine and evaluate the following:

11           (1) Savings or costs to the Federal Government  
12 if the Corporation becomes self-funded and operates  
13 independently of the Federal Government.

14           (2) The time necessary to convert the Corpora-  
15 tion to a self-funded entity and factors that would  
16 affect the timing of such a conversion.

17           (3) The composition of the administrative body  
18 of a self-funded deposit insurance system.

19           (4) The appropriate level of insurance to pro-  
20 tect small depositors.

21           (5) Re-insurance.

22           (6) The feasibility of more than one of such en-  
23 tities existing.

1           (7) The “too big to fail” doctrine and the ap-  
2           propriate role of deposit insurance, if any, in cover-  
3           ing systemic risk.

4           (8) Industry capital necessary to a self-funding  
5           deposit insurance fund.

6           (9) Supervision of financial institutions by the  
7           Federal banking supervisory agencies, consistent  
8           with early intervention and prompt corrective action  
9           provisions of the Federal Deposit Insurance Act.

10          (10) The effect of a self-funded deposit insur-  
11          ance system on the supervision of financial institu-  
12          tions.

13          (11) Increased risks, if any, to the payment  
14          system from a self-funded system.

15          (12) The type of financial institutions whose li-  
16          abilities should be covered by deposit insurance.

17          (13) The projected effect such a fund could  
18          have on consumers and consumer protection laws.

19          (c) CONSULTATION.—In conducting the study re-  
20          quired by this section, the Secretary of the Treasury shall  
21          consult with—

22                (1) the Board of Governors of the Federal Re-  
23                serve System:

24                (2) the Office of the Comptroller of the Cur-  
25                rency:

- 1           (3) the National Credit Union Administration:
- 2           (4) the Office of Management and Budget;
- 3           (5) the Federal Deposit Insurance Corporation;
- 4           (6) individuals from the private sector with ex-
- 5           pertise in deposit insurance; and
- 6           (7) individuals from the financial services in-
- 7           dustry.

8           (d) REPORT TO THE CONGRESS.—Not later than 18  
 9 months after the date of the enactment of this Act, the  
 10 Secretary shall submit to the Congress a report containing  
 11 a detailed statement of findings made and conclusions  
 12 drawn from the study conducted under this section, in-  
 13 cluding such recommendations for administrative and leg-  
 14 islative action as the Secretary determines to be appro-  
 15 priate.

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S 1415 IS—2

S 1415 IS—3

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